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national farmers union
In Union is Strength

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Submission
to the

Senate Standing Committee on Agriculture

on the subject of

Proposed Amendments to Bill C-19

Re: Two Price Wheat System

presented at

Ottawa

June 12, 1975.



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Re: Two Price Wheat System

presented at

Ottawa, Canada.

June 12, 1975

1. We welcome the invitation to appear before your Committee at this time in order to discuss amendments proposed by the Senate to Bill C-19 in respect of wheat produced and sold in Canada for human consumption.
2. The purposes of the amendments proposed by the Senate, as we understand them, would widen the scope of the Bill to include the regulation of the price of wheat and wheat products produced and sold for domestic human consumption.
3. They would also provide for voluntary agreements between the wheat boards and the federal government with annual review of the agreements with producer consultation and a minimum fixed price at \$3.25 per bushel.
4. This latter proposal is outlined in an amendment to be identified as "Prescribed Prices" which states as follows:

Prescribed Prices

- (c) (1) When an agreement is entered into with a board under (b) (1) the Governor in Council (may), by regulation, establish the maximum prices for wheat and wheat products produced and sold in Canada for human consumption in Canada.
- (2) The price prescribed under (c) (1) for wheat and wheat products produced and sold in Canada

for human consumption in Canada shall not be less than \$3.25 per bushel.

5. It must be observed that Section 5 (2) (a) and (b) in the present Bill C-19 deals specifically with durum wheat and provides for a base price of \$5.75 per bushel.

6. The proposed amendment relating to prescribed prices does not distinguish between bread wheat and durum wheat. One might therefore interpret the term used in the amendment, "wheat and wheat products" to include durum wheat for which the prescribed price would be reduced from \$5.75 per bushel to \$3.25 per bushel.

7. If this indeed is the intent of the Senate's proposed amendments we wish to express our unequivocal opposition to the proposed amendment.

8. For the reason outlined we recommend that proposed subsection (c) (1) be further amended by inserting the words "including durum" following the words "wheat and wheat products", and that the word "shall" be substituted for the word "may".

9. Secondly, we recommend that subsection (c) (2) be amended by adding the words "except durum" following the words "wheat and wheat products".

10. Thirdly, we recommend an additional subsection (c) (3) be added to read as follows:

"The price prescribed for durum wheat and wheat products produced in Canada for human consumption in Canada shall not be less than \$5.75 per bushel".

11. The entire amended section would then read:

(c) (1) *When an agreement is entered into with a board under (b) (1) the Governor in Council shall by regulation, establish the maximum prices for wheat and wheat products, including durum,*

produced and sold in Canada for human consumption in Canada.

(2) The price prescribed under (c) (1) for wheat and wheat products, except durum produced and sold in Canada for human consumption in Canada shall not be less than \$3.25 per bushel.

(3) The price prescribed for durum wheat and wheat products produced in Canada for human consumption in Canada shall not be less than \$5.75 per bushel.

12. Because we do not accept the prescribed pricing of wheat to include durum wheat at \$3.25 per bushel for the purposes of this Bill, we recommend that your proposed amendments to Section 8 be deleted.

13. Additionally, proposed amendments to Sections 5 (1) (b) and 5 (2) (b) are redundant.

14. It is noted that your Committee suggests the removal of Section 5 (3) outlining the obligation on the part of the Minister to annually consult "with the producers to review provisions of the Act and all related regulations enacted by the Governor in Council..."

15. The proposed Senate amendment on Agreements suggests instead as follows:

Price Regulation

Agreements

(b) (1) With the approval of the Governor in Council, the Minister (may) enter into an agreement with the board for the purpose of establishing the price at which wheat and wheat products produced in Canada and sold by the board for human consumption in Canada shall be sold during each period August 1st to July 31st.

(2) The Minister and the Boards shall, on an annual basis and in consultation with producers review the agreement and all related regulations enacted by the Governor in Council with a view to making

produced and sold in Canada for human consumption in

Canada.

(2) The price prescribed under (1) for wheat and wheat

products, except flour, produced and sold in Canada for

human consumption in Canada shall not be less than

\$3.25 per bushel.

(3) The price prescribed for durum wheat and wheat products

produced in Canada for human consumption in Canada shall

not be less than \$3.25 per bushel.

12. Because we do not accept the prescribed pricing of wheat to include

durum wheat at \$3.25 per bushel for the purposes of this Bill, we

recommend that the following amendments be made to the Bill.

13. Additional amendments to the Bill are as follows: (a) and (2)

(b) are redundant.

14. It is noted that your Committee suggests the removal of Section 2

(3) outlining the obligation on the part of the Minister to annually

consult "with the producers to review provisions of the Act and all

related regulations enacted by the Governor in Council..."

15. The proposed Senate amendment on agreement suggests instead

as follows:

Price Regulation

Agreements

(b) (1) With the approval of the Governor in Council, the

Minister (may) enter into an agreement with the

board for the purpose of establishing the price

at which wheat and wheat products produced in

Canada and sold by the board for human consumption

in Canada shall be sold during each period

specified in the agreement.

(2) The Minister and the board shall, on an annual

basis and in consultation with producers review

the agreement and all related regulations enacted

by the Governor in Council with a view to making

such changes in the agreement and the regulations as are appropriate in the light of prevailing costs of production of wheat and returns to producers.

16. In this respect it would appear that the proposed amendment would remove from Bill C-19 the obligation on the part of the Minister to consult with producers.

17. The effect of the proposed amendment (b) (1) implies, through the use of the word "may" in line 1, a discretionary power on the part of the Minister to "enter into an agreement with the board ... "

18. Subsection (b) (2) would require the Minister and the Boards to "review the agreement" in consultation with producers. However, our concern rests in the supposition that if the Minister does not choose to "enter into an agreement with the board ..." in the first place, there is the possibility that no consultation will in fact take place with producers since there would, in essence, be nothing to review.

19. For the sake of greater clarity, and to avoid possible ambiguity, we recommend the word "may" be removed and the word "shall" be substituted in proposed subsection (b) (1) and that the word "annual" be inserted after the words "enter into an".

20. Proposed amendment (b) (1) on agreements would then read as follows:

"(b) (1) *With the approval of the Governor in Council, the Minister shall enter into an annual agreement with the board for the purpose of establishing the price at which wheat and wheat products produced in Canada and sold by the board for human consumption in Canada shall be sold during each period August 1 to July 31.*"

21. Further in respect to the price levels currently established in Bill C-19 of \$3.25 for bread wheat and \$5.75 for durum wheat, it must

be observed that these prices are primarily pegged at these levels for the benefit of Canadian consumers.

22. It must be further observed that the obligation of the federal government toward the farmer is currently limited to the payment of an additional sum not to exceed \$1.75 per bushel under circumstances where the export prices for bread wheat may exceed \$5.00 per bushel and durum wheat exceeds \$7.50 per bushel.

23. Should the world export prices for these grains fall below the respective prescribed prices of \$3.25 and \$5.75, the obligation of the federal government toward further payments to farmers would cease, even though the prescribed prices would remain in effect for seven years.

24. Proposed amendments refer to "changes in the agreement and the regulations as are appropriate in the light of prevailing costs of production" This is a useful principle.

25. It is our view, however, that it is necessary to build into the regulations a cost indexing formula whereby the prescribed prices of \$3.25 and \$5.75 would be indexed at a value of 100 commencing from the date of the application of the program, September 11, 1973.

26. On this basis the federal support level to producers would respond toward rising producer costs while still maintaining the price guarantees for domestic consumption. Payments to producers would continue even though export prices might decline below prescribed prices.

27. Example:

Index of All Farm Inputs - 3rd Quarter 1973 = 173.3 (1961 = 100)

For the purposes of these calculations, 173.3 = 100 since it corresponds roughly to the commencement date of the program and \$3.25 and \$5.75 are the base prices.

Index of all Farm Inputs - 3rd Quarter, 1974 = 195.2 (1961 = 100)

New basis of federal guarantee to producers would be:

- a) $\frac{195.2}{173.3} \times 3.25 = \underline{\$3.66}$ for bread wheat consumed domestically for human consumption.
- b) $\frac{195 \times 2}{173.3} \times 5.75 = \underline{\$6.48}$ for durum wheat consumed domestically for human consumption.

28. If world prices fall below these figures, the federal government would make up the difference to producers. New base figures could be calculated quarterly. If world prices are above the new base figures the federal government would continue to pay the margin between the world export prices and the \$3.25 and \$5.75 domestic prices up to the present maximum of \$1.75 per bushel.

29. We recommend this formula indexing approach to your committee for consideration.

30. In summary we recommend:

1) That your proposed amendment, Section 2 (c) (1) be further amended by inserting the words "including durum" following the words "wheat and wheat products".

2) That your proposed amendment, Section 2 (c) (2) be amended by adding the words "except durum" following the words "wheat and wheat products".

3) That an additional subsection 2 (c) (3) be added to read as follows:

"The price prescribed for durum wheat and wheat products produced in Canada for human consumption in Canada shall not be less than \$5.75 per bushel."

4) That your proposed amendment to Section 8 be deleted.

5) That your proposed amendments to Sections 5 (1) (b) and 5 (2) (b) be deleted and that sections remain as in the original Bill C-19.

6) That the word "may" in your proposed amendment 2 (b) (1) be changed to "shall" and word "annual" be inserted following the words "enter into an".

7) That a price indexing formula in the manner described be accommodated in the regulations.

All of which is respectfully submitted
THE NATIONAL FARMERS UNION

